



Robert Kuzman

Indiana State Representative

District 19



Dear Friends:

The short session of the legislature will begin soon and I anticipate that we will discuss a number of important issues, including a plan to restructure our tax system in order to protect taxpayers from the severe impact of court-ordered reassessment.

Bipartisan discussions have been led by Lt. Gov. Joe Kernan with assistance from a number of fiscal experts across the state. A recent announcement revealed the results of an intensive study of the tax structure and recommended several changes that would better prepare Indiana for the future.

I have detailed several aspects of that plan in this newsletter, including some tables that show the increases and decreases in specific taxes. I encourage your thoughts and comments after reading the particulars of this plan.

In the end, we want to take steps to ensure that shifts in revenue are fairly distributed among individuals, homeowners, businesses and farmers. This must be accomplished not only under some exceptionally difficult economic conditions but also under the watchful eye of the court system that has mandated some fundamental and far-reaching changes in Indiana's current tax system.

A recent court ruling could result in an average increase in property taxes of approximately 33 percent. The proposed restructuring plan, called "Indiana's 21st Century Tax Plan," would reduce that 33 percent average to zero percent while making several other adjustments in the overall system.

While it is true that the urgency of the tax restructuring process is heightened by recent court decisions, the continuing efforts to bring greater fairness to Indiana's tax structure have been under way for some time. The current discussion has its roots in a long debate over how best to accomplish a single goal: to help Hoosier workers and their families keep more of what they earn.

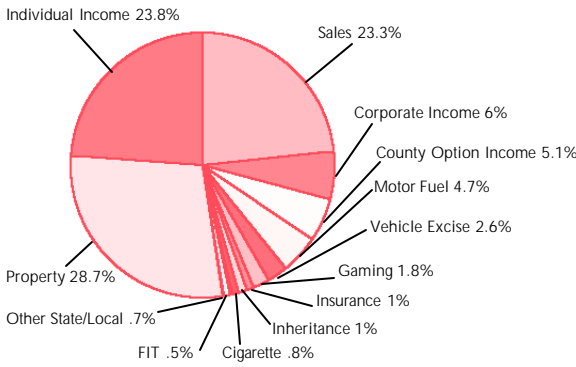
Proposed 21st Century Tax Plan

Comparison of Current Structure and 21st Century Tax Plan		
Revenues Reduced or Eliminated		
Elements of Plan	Current Structure	21st Century Tax Plan
Homestead Credit	10%	Raise to 15%
Corporate Gross Income Tax*	.3-1.2%	Eliminate
R&D Income Tax Credit	5%	Raise to 20%; no apprt.
Inventory Tax	Yes	Eliminate (through credit)
Pers. Prop. Investment Tax Credit	No	Yes
Dependent Child Exemption	\$1,500	\$2,000
Renter's Deduction	\$2,000	\$3,000
School Gen. Fund Levy**	—	Reduce by 50%
Family and Children Fund Levy**	—	Eliminate
Hospital Care for Indigent**	—	Eliminate
Trial Court Levy**	—	Eliminate
Pension Relief Fund (police, fire)**	—	Additional \$30m
Earned Income Tax Credit	Income < \$12,000	Income < \$18,000

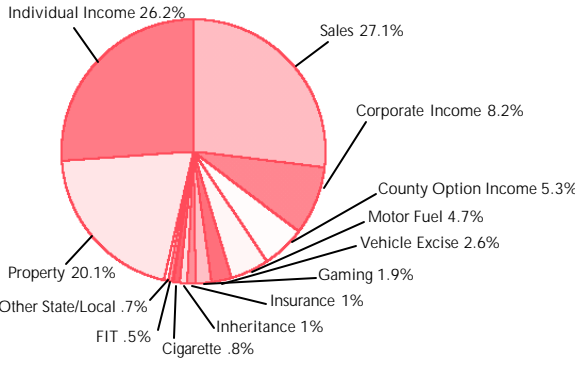
*Corporate Gross Tax is eliminated and the Corporate Adjusted Gross Income Tax and the Corporate Supplemental Net Income Tax are combined into a single income tax at 8.5%, .75% above the current rate. **Related to Property Tax.

Comparison of Current Structure and 21st Century Tax Plan		
Revenues Raised		
Elements of Plan	Current Structure	21st Century Tax Plan
Sales Tax	5%	6%
Income Tax	3.4% (flat rate)	3.9% income < \$90,000 4.4% income > \$90,000
Business Franchise Tax	No	Yes
Property Tax Replacement Credit	20% of specific levies	Restructure

Indiana State and Local Taxes, 2000



21st Century Tax Plan, IN Taxes 2004



"Where did the surplus go?"

"Where did the surplus go?"

I am frequently asked that by people in the 19th House District. It's a fair question, because it wasn't so long ago that the state of Indiana's treasury was flush and the question for lawmakers was not so much whether we were going to cut taxes, but which taxes we would cut.

Most of the surplus went back to you, in the form of tax cuts enacted by Republicans and Democrats during the past few legislative sessions. I have outlined those various tax cuts in the space to the right.

Take a moment to look at the list. Those tax cuts provide benefits for just about every group of Hoosiers, young and elderly.

On top of these cuts came the economic slow-down which gripped Indiana over the past 15 months. During the 2001 fiscal year, our rate of growth fell from 4.5 to 2.7 percent, a drop in our economy that has created a harsh impact on general fund revenues in our state budget.

As a legislator, I frequently hear from people who worry that we didn't provide enough funding for roads, education, home health care and prisons, among the countless other programs. Now we have new concerns: emergency management and homeland security. Before September 11, I doubt that many of us paid much attention to those issues, but they will demand our consideration in the years ahead.

Within the framework in which we operate, I believe the Legislature has done a good job of balancing the need to fund critical state programs and return a portion of surpluses to the Indiana taxpayers who helped to create it. I am comfortable with the decisions that returned much of the surplus back to you, and I will do everything in my power to continue to make the kinds of decisions that ensure our state government runs efficiently.

Since 1996, legislators have worked to cut more than \$1.5 billion in taxes

•Increasing the Homestead Credit	\$381,000,000
•Personal Property/Inventory Tax Cut	\$323,000,000
•Welfare off of local Property Tax Rolls	\$ 68,000,000
•Property Tax Deduction	\$111,000,000
•Property Tax Deduction for Seniors	\$ 20,000,000
•Dependent Child Exemption	\$232,000,000
•Low Income Tax Credit	\$ 63,000,000
•Inheritance Tax Cut	\$ 59,000,000
•Renter's Reduction	\$ 22,000,000
•Repeal of State Add-back Requirement	\$174,000,000
•Income Tax Cut for Seniors	\$ 18,000,000
•Unemployment Tax Cut	\$108,000,000

Additional Funding Returned to Hoosiers

•Reduction in unfunded liability in the retired teacher pension program	\$200,000,000
•Additional funding for local roads and streets, divided among counties, cities, towns	\$200,000,000
•State construction projects and other infrastructure investments	\$141,000,000
•Cost of living adjustment in the teacher's retirement fund	\$ 89,000,000

Representative
Robert Kuzman
200 West Washington Street
Indianapolis, IN 46204-2786



CONTACT
Representative
Robert Kuzman

RESIDENCE
819 Savannah Drive
Crown Point, IN 46307

OFFICE
200 W. Washington Street
Indianapolis, IN 46204-2786
1-800-382-9842

ONLINE
H19@in.gov
www.in.gov/R19

Stay informed with
online legislative updates

There are several ways to stay in touch with the Statehouse during session. A good place to begin is at www.in.gov, our state Web site.

You can track the progress of particular bills as they make their way through the legislative process, and stay informed of any public hearings that you may want to attend. You should also be able to find answers to questions about a particular agency or state office online.

I encourage you to visit my Web site at www.in.gov/R19. I'll post news about the bills that I'm working on and other items of interest to our district. You may also request several House publications which are available through my office.

Feel free to call my legislative office at 1-800-382-9842. I hope that you will make an effort to contact me during this session and throughout the year as we work to improve our state.



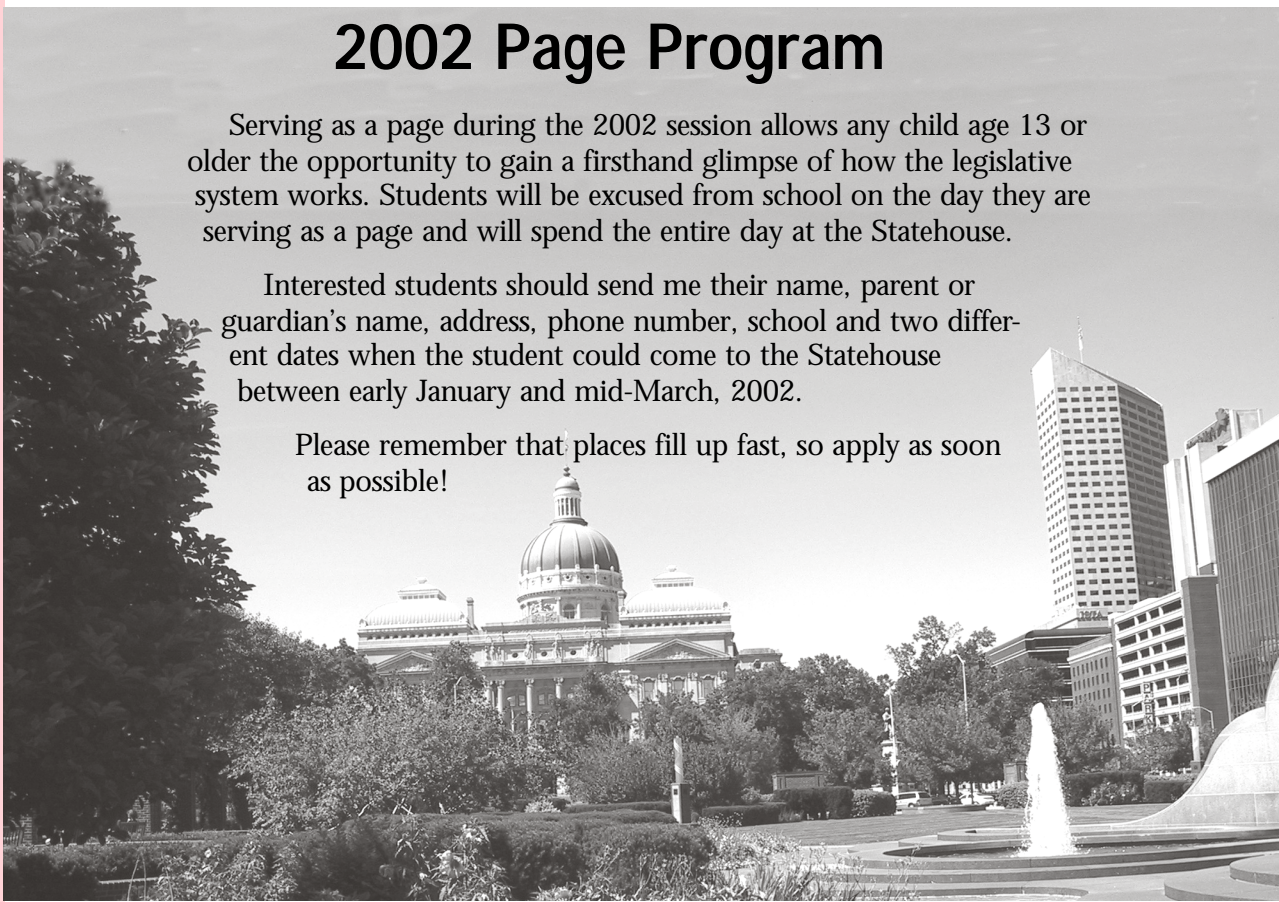
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2002 Page Program

Serving as a page during the 2002 session allows any child age 13 or older the opportunity to gain a firsthand glimpse of how the legislative system works. Students will be excused from school on the day they are serving as a page and will spend the entire day at the Statehouse.

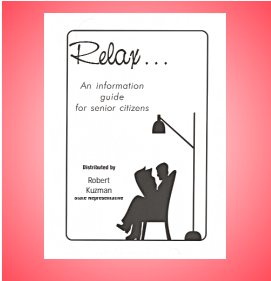
Interested students should send me their name, parent or guardian's name, address, phone number, school and two different dates when the student could come to the Statehouse between early January and mid-March, 2002.

Please remember that places fill up fast, so apply as soon as possible!



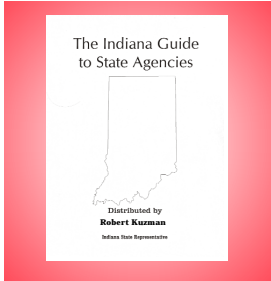
House Publications
Available from Representative Kuzman

The following publications may be requested free of charge from my Statehouse office by calling toll-free 1-800-382-9842.



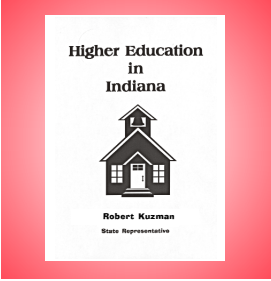
Relax . . .

Written for senior citizens, this informational booklet discusses a variety of issues, from taxes to health problems to leisure activities.



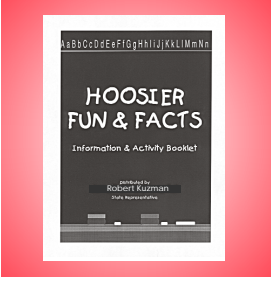
Guide to State Agencies

This booklet details various agencies within Indiana state government, listing phone numbers, functions and areas of responsibility for each.



Higher Education

A 24-page publication for those interested in pursuing a higher education degree, detailing many Indiana colleges and universities as well as occupational and vocational schools.



Hoosier Fun and Facts

Designed for elementary school-aged children, this information and activity booklet teaches students about their state through a combination of text, puzzles and other educational activities.